

Message Text

LIMITED OFFICIAL USE

PAGE 01 OTTAWA 03179 062239Z

22

ACTION EUR-12

INFO OCT-01 ISO-00 AID-05 CIAE-00 COME-00 EB-07 FRB-03

INR-07 NSAE-00 USIA-06 TRSE-00 XMB-02 OPIC-03 SP-02

CIEP-01 LAB-04 SIL-01 OMB-01 PA-01 PRS-01 SEC-01

NSC-05 SS-15 STR-04 CEA-01 /083 W
----- 039116

R 062048Z AUG 76

FM AMEMBASSY OTTAWA

TO SECSTATE WASHDC 687

LIMITED OFFICIAL USE OTTAWA 3179

E.O. 11652: N/A

TAGS: ECON, CA

SUBJ: NEWS AND VIEWS ON THE ANTI-INFLATION PROGRAM

BEGIN UNCLASSIFIED

1. SUMMARY. MORE CHANGES IN A.I.B. REGULATIONS ARE EXPECTED; WINNIPEG ECONOMIST MS. JUNE MENZIES APPOINTED TO SUCCEED BERYL PLUMPTRE AS A.I.B. VICE CHAIRMAN; BANK OF MONTREAL WARRS OF CAPITAL SPENDING SLOWDOWN DUE TO ANTI-INFLATION PROGRAM, AND A.I.B. RULING ANGERS 50,000 ONTARIO CIVIL SERVANTS. CLC STILL THREATENDS ONE-DAY NATIONAL STRIKE UNLESS PROGRAM TERMINATED EARLY, AND MORE ECONOMIC ANALYSTS REPORT WEAKNESSES IN ECONOMIC RECOVERY. END SUMMARY

2. NEWS MEDIA REPORTS THIS WEEK CLAIM THAT A.I.B. CHAIRMAN JEAN-LUC PEPIN IS PROPOSING TO FINMIN MACDONALD THAT CHANGES BE MADE IN REGULATIONS ON PRICES AND PROFITS. FOLLOWING FINMIN MACDONALD'S MAY BUDGET PROPOSALS THAT NON-DISTRIBUTOR FIRMS WOULD BE REQUIRED KEEP PROFIT MARGINS TO 85 PERCENT OF FIVE-YEAR BASE PERIOD LEVELS RATHER THAN 95 PERCENT AS PREVIOUSLY ANNOUNCED, MANY COMPANIES AND ORGANIZATIONS (AN ESTIMATED 500) SUBMITTED BRIEFS TO
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 OTTAWA 03179 062239Z

A.I.B. CLAIMING NEW REGULATIONS WOULD HAMPER BUSINESS

INVESTMENT AND SLOW ECONOMIC RECOVERY. CANADIAN CHAMBER OF COMMERCE, MANUFACTURERS' ASSOCIATION AND INSTITUTE OF CHARTERED ACCOUNTANTS WERE AMONG MANY BUSINESS ORGANIZATIONS WHICH MADE PUBLIC THEIR OPPOSITION TO NEW RESTRICTIONS ON PROFITS. TWO COMPANY PRESIDENTS TOOK FULL-PAGE ADS IN SEVERAL NEWSPAPERS IN FORM OF OPEN LETTERS TO MACDONALD, STATING NEW PROFIT REGULATION WOULD SERIOUSLY AFFECT CAPITAL SPENDING PLANS IN CANADA AND CITED INSTANCES OF THEIR COMPANIES' DEFERRING CAPITAL PROJECTS.

3. MS. JUNE MENZIES, CHARACTERIZED BY NEWSPAPER REPORTS AS WINNIPEG ECONOMIST AND FEMINIST, WILL TAKE OVER JOB OF ANTI-INFLATION BOARD VICE CHAIRMAN ON SEPTEMBER 8. MS MENZIES, CURRENTLY VICE CHAIRMAN OF GOC ADVISORY COUNCIL ON STATUS OF WOMEN, REPLACES BERYL POUMPTRE WHO RESIGNED IN JUNE. MS MENZIES HOLDS M.A. DEGREE IN ECONOMICS FROM UNIVERSITY OF SASKATCHEWAN, AND APPARENTLY IS SOLD ON VIRTUES OF GOC ANTI-INFLATION PROGRAM AS SHE REPORTEDLY TOLD CANADIAN PRESS THAT "A.I.B. IS THE ONLY TOOL CANADA HAS TO SOLVE ITS CURRENT ECONOMIC PROBLEMS."

4. IN AUGUST ISSUE OF BANK OF MONTREAL BUSINESS REVIEW, NEWSLETTER WARNS OF ADVERSE EFFECTS OF GOC ANTI-INFLATION PROGRAM. "THE REGULATIONS OF THE ANTI-INFLATION BOARD HAVE LED TO SO MUCH UNCERTAINTY IN THE BUSINESS COMMUNITY OVER PROFITS AND PRODUCTIVITY EXPECTATIONS," THE BUSINESS REVIEW MAINTAINS, "THAT MANY INVESTMENT PLANS ARE BEING HELD IN ABEYANCE." "THE RECOVERY IN CAPITAL SPENDING, SO NECESSARY TO THE CONTINUATION OF BUSINESS EXPANSION AND TO THE REDUCTION OF INFLATION OVER THE LONG RUN, IS IN JEOPARDY."

5. IN RECENT RULING OF A.I.B., 50,000 ONTARIO PROVINCIAL CIVIL SERVANTS HAD THEIR WAGE ARBITRATION AWARDS CUT BACK, SOME BY AS MUCH AS 6 1/2 PERCENTAGE POINTS. RULING PROMPTED OUTBURST FROM CHARLES DARROW, PRESIDENT OF ONTARIO PUBLIC SERVICE EMPLOYEES UNION, WHO REPORTEDLY TERMED ROLLBACKS "CRUEL, UNJUST AND IMMORAL" AND SAID PROVINCIAL UNION WOULD MAKE "POLITICAL ISSUE" OF CUTS. LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 OTTAWA 03179 062239Z

6. CLC OFFICIALS HAVE MET WITH PRIME MINISTER TRUDEAU TO TRY OBTAIN FROM HIM PROMISE TO SCRAP ANTI-INFLATION PROGRAM BEFORE DECEMBER 1978 AND TO CREATE NATIONAL ECONOMIC PLANNING BODY WITH JOINT LABOR-MANAGEMENT-GOVERNMENT PARTICIPATION, WITH THREAT OF ONE-DAY NATIONAL STRIKE AS CLC BARGAINING POWER. (SEE OTTAWA 3098). CLC HAS MANDATE FROM ITS CONVENTION IN QUEBEC CITY LAST MAY TO

CALL NATIONAL STRIKE "IF NECESSARY" TO PROTEST CONTROLS, AND OCTOBER 13 OR 14 (FIRST YEAR ANNIVERSARY OF PROGRAM) ARE RUMORED AS POSSIBLE DATES FOR WORK STOPPAGE. CLC EXECUTIVE COUNCIL WAS TO MEET AGAIN WITH TRUDEAU ON AUGUST 6 BEFORE DECIDING ON ACTION (SEE SEPTTEL).

7 DURING RECENT WEEKS MORE AND MORE ECONOMIC ANALYSTS ARE POINTING TO SLOWDOWN IN CAPITAL SPENDING, AS RESULT OF GOC ANTI-INFLATION PROGRAMS, HINDERING ECONOMIC RECOVERY IN CANADA. CONFERENCE BOARD OF CANADA PRESIDENT RENE DE COTRET HAS ALREADY FORECAST REAL GROWTH WILL DROP IN 1977 TO UNDER 5 PERCENT. TORONTO DOMINION BANK'S SUMMER ISSUE OF CANADA'S BUSINESS CLIMATE ANALYZES SITUATION AS FOLLOWS: "CURRENT HIGH LEVELS OF CAPACITY RELATIVE TO PRODUCTION, COMPARATIVELY HIGH CANADIAN WAGE RATES AND THE ABSENCE OF PROFIT GROWTH MAY POSTPONE NEW BUSINESS INVESTMENT FOR SOME TIME. THIS THREATENS TO THWART THE ATTAINMENT OF SUTAINED ECONOMIC EXPANSION AND INHIBIT INCREASES IN EMPLOYMENT. ECONOMIC CONDITIONS, IN THE ABSENCE OF POLICY CHANGES, THUS ARE LIKELY TO BECOME INCREASINGLY STRAINED, PROVIDING A WEAKER BASE FOR ECONOMIC GROWTH DURING THE FIRST HALF OF 1977."

8. OTHER ECONOMIC WEAKNESSES SHOWING UP IN RECENT DAYS WERE REPORTS THAT MANY CANADIAN BUSINESS PROFITS WERE DOWN FOR FIRST SIX MONTHS OF 1976 AND STOCK MARKETS WERE DOWN BOTH IN VOLUME AND VALUE OF SHARES TRADED. GLOBE AND MAIL REPORT ON BUSINESS SURVEY OF 75 FIRMS SHOWED OVERALL PROFITS DOWN 5.7 PERCENT FROM SAME PERIOD IN 1975. ACCORDING TO COLUMNIST JOHN MEYER IN MONTREAL GAZETTE OF AUGUST 5, CURRENT CANADIAN STOCK MARKETS (TORONTO AND MONTREAL EXCHANGES) ARE WELL BELOW 1975 LEVELS IN BOTH VOLUME AND VALUE OF STOCKS
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 OTTAWA 03179 062239Z

TRADED, AND THIS "DISPIRITED AND DISPIRITING PERFORMANCE" SHOWED THAT "WELL BEFORE PROJECTIONS OF THE STRENGTH OF CANADA'S RECOVERY BEGAN TO BE SCALED DOWNWARDS, INDIVIDUAL AND INSTITUTIONAL INVESTORS ALIKE HAD MADE THEIR OWN ASSESSMENT OF WHAT CONTROLS WOULD MEAN FOR THE COUNTRY."

BEGIN LIMITED OFFICIAL USE

9. COMMENT: IT IS POSSIBLE THAT WITH STRONG PRESSURES FROM BUSINESS, FUELED BY INCREASING NUMBER OF ANALYSES THAT CANADIAN ECONOMY MAY GET WORSE IN 1977, GOC MAY BACK AWAY FROM MORE STRINGENT CONTROLS ON BUSINESS PROFITS. HOWEVER, GOC HAS BEEN UNDER ATTACK BY ORGANIZED LABOR SINCE ANTI-INFLATION PROGRAM INITIATED TO MAKE

CONTROLS "EQUITABLE" (E.G., MAKE BUSINESS SUFFER, TOO)
OR DROP THEM, AND MODIFICATION TO PROFIT GUIDELINES
WILL PROBABLY BE MARGINAL. (ONE RADIO ECONOMIC ANALYST
PREDICTED MACDONALD WILL SET PROFIT GUIDELINES AT
90 PERCENT, THUS PLEASING NEITHER BUSINESS NOR LABOR.)

10. WHAT MUST BE FRUSTRATING (AND PERHAPS GALLING)
FOR GOC INFLATION FIGHTERS IN THAT INFLATION RATE
IN U.S., WITHOUT CONTROLS, HAS BEEN LOWER IN 1976 THAN
IN CANADA; THAT FEW FORECASTERS ARE PREDICTING CANADA
WILL REACH GOAL OF 8 PERCENT RISE IN INFLATION RATES
FOR 1976; THAT CANADIAN BUSINESSES ARE INCREASING THEIR
INVESTMENT IN U.S. BECAUSE OF BETTER INVESTMENT CLIMATE
(SEE TORONTO A-82 FOR DISCUSSION OF THIS PHENOMENON);
AND THAT EVEN A.I.B. OFFICIALS ARE PREDICTING FURTHER
PRICE RISES IN FOOD COSTS, THE ONE AREA OVER WHICH
A.I.B. HAS LITTLE OR NO CONTROL AND THE ONE THAT HAD
DROPPED SIGNIFICANTLY IN EARLY 1976, THUS KEEPING
CPI RISE BELOW 10 PERCENT.
ENDERS

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: LAW, ECONOMIC RECOVERY, NEWS MEDIA COMMENTS, ANTIINFLATIONARY PROGRAMS, PUBLIC ATTITUDES
Control Number: n/a
Copy: SINGLE
Draft Date: 06 AUG 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: BoyleJA
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976OTTAWA03179
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D760304-1053
From: OTTAWA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19760877/aaaacpcc.tel
Line Count: 189
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION EUR
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: n/a
Review Action: RELEASED, APPROVED
Review Authority: BoyleJA
Review Comment: n/a
Review Content Flags:
Review Date: 13 APR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <13 APR 2004 by ellisoob>; APPROVED <03 AUG 2004 by BoyleJA>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: NEWS AND VIEWS ON THE ANTI-INFLATION PROGRAM BEGIN UNCLASSIFIED
TAGS: ECON, CA
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006